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December 22, 2017

VIA CERTIFIED MAIL

South Carolina Public Service Authority
Attn: Chief Operating Officer (M602)
One Riverwood Drive
P.O. Box 2946101
Moncks Corner, SC 29461-6101

**RE: V.C. Summer Nuclear Project: Design and Construction Agreement &
Project Abandonment**

Dear Sir:

South Carolina Electric & Gas Company (SCE&G) is in receipt of the December 15, 2017 letter from the South Carolina Public Service Authority (Santee Cooper) in response to my letter of December 13, 2017. SCE&G agrees with and accepts Santee Cooper's proposal in the third sentence of the second paragraph of Santee Cooper's letter to mutually terminate the Design and Construction Agreement (DCA) dated October 20, 2011, and the DCA is hereby mutually terminated pursuant to Section 6.2.1 of the DCA. Because SCE&G and Santee Cooper have mutually terminated pursuant to Section 6.2.1 of the DCA, then pursuant to my letter of December 13, 2017, SCE&G's termination of the DCA on that date pursuant to Section 6.2.2.c(ii) is superseded by the mutual termination.

Notwithstanding SCE&G's acceptance of Santee Cooper's proposal to mutually terminate, we suggest that SCE&G and Santee Cooper also agree that the date of the mutual termination was August 6, 2017, which is five days after July 31, 2017, the date SCE&G and Santee Cooper gave notice of termination of the Interim Assessment Agreement (IAA) with Westinghouse. The IAA provides for five business days' notice of such termination in Paragraph 2 of the original IAA, as amended by Paragraph 1 of the Amendment No. 2 to the IAA (approved by Bankruptcy Court Order entered June 17, 2017). Please advise us if Santee Cooper does agree that the mutual termination should be effective August 6, 2017.

SCE&G will proceed with actions consistent with its decision to abandon the Virgil C. Summer Nuclear Station Units 2 and 3 Project ("VCS 2 and 3" or the "Project"). In continuing cooperation with Santee Cooper, it is SCE&G's intent and hope that we can resolve the following items expeditiously.

(1) Combined Operating Licenses (COLs) for VCS 2 and 3: SCE&G will request before the end of December 2017 approval from the Nuclear Regulatory Commission (NRC) to withdraw the COLs for VCS 2 and 3. Additionally, as part of that communication, SCE&G will notify the NRC

that if Santee Cooper chooses to seek to become sole licensee prior to NRC approval of the request to withdraw, SCE&G will support an application to the NRC to transfer the COLs to Santee Cooper.

(2) Ownership Rights: Effective immediately, SCE&G abandons and disclaims any right to use any structures (except for those otherwise described below), materials, tools, equipment and other like items used in the construction or potential future use of VCS 2 and 3. SCE&G also releases its rights to all intellectual property, including that which may be currently subject to the escrow agreement with Westinghouse and held by Iron Mountain.

(3) Facilities: Except for facilities that are being repurposed for V.C. Summer Unit 1, that are a part of SCE&G's transmission system, or that are part of SCANA's fiber communications infrastructure, SCE&G abandons and disclaims the facilities of VCS 2 and 3.

(4) Components: Except for certain components which may be purchased by Georgia Power which shall be clearly identified by December 31, 2017, SCE&G abandons and disclaims the components of VCS 2 and 3. A decision regarding the sale of certain components to Georgia Power will be made by December 31, 2017. To the extent that SCE&G agrees to sell certain components to Georgia Power with a fair market value in excess of \$1 million, SCE&G will be required to obtain approval of the sale by the Public Service Commission of South Carolina.

(5) Interim Assessment Agreement (IAA) Reconciliation (Payments to Supplier and Vendors): Under the terms of the IAA, Westinghouse is still holding approximately \$112 million to pay vendors. It is believed that the current invoices (approximately 660) from vendors total approximately \$96 million. SCE&G in cooperation with Santee Cooper will develop a plan to reconcile the outstanding invoices and payments relating to vendors, and to reconcile direct payments made to Westinghouse. Such plan will include utilizing contractors or consultants to review invoices and to assist with defense of the mechanics' liens.

(6) Outstanding Westinghouse Purchase Orders:

(a) It is believed that there are 29 open Westinghouse purchase orders ("WEC POs") remaining to be formally assumed or rejected. The total of these 29 WEC POs' value is approximately \$446,117,405; out of this total amount, approximately \$4,868,267 remain open. SCE&G will not be responsible for these 29 WEC POs and will direct bankruptcy counsel that SCE&G will reject them. SCE&G requests that Santee Cooper join in the rejection of these 29 WEC POs. Alternatively, Santee Cooper can request assumption and cure if desired for its ownership and potential future use of VCS 2 and 3.

(b) It is believed that there are another 79 WEC POs for which there is no open commitment. The total value of these 79 WEC POs is approximately \$63,386,661. SCE&G will notify bankruptcy counsel that it will not assume these 79 WEC POs. SCE&G requests that Santee Cooper join in the rejection of these WEC POs. Alternatively, Santee Cooper can request assumption and cure if desired for its ownership and potential future use of VCS 2 and 3.

(7) Warehouses and Rental Equipment: Unless or to the extent that Santee Cooper wishes to negotiate with Westinghouse on ownership and salvage opportunities, SCE&G will notify Westinghouse to have offsite warehouses empty by the end of their current lease terms. Equipment rented for preventative maintenance and storage to support potential salvage efforts can be transferred to Santee Cooper at its request, or such equipment will be returned to its lessors.

(8) Preventative Maintenance: SCE&G will stop all preventative maintenance on VCS 2 and 3 equipment and facilities by year-end except to the extent such preventative maintenance is mandated by the NRC during the pendency of its review of the application for withdrawal of the COLs.

(9) Construction Equipment and Tools: SCE&G will not make any claims against Westinghouse for the tools or construction equipment used for VCS 2 and 3. Santee Cooper can pursue resolutions of these claims with Westinghouse independently if it so chooses.

(10) Outstanding SCE&G Purchase Orders and Other Income:

(a) Parking Lot: SCE&G and Santee Cooper are discussing entering into a lease allowing Westinghouse to stage certain of its equipment at Parking Lot 3 for six months at \$5,000/month. Any rent will be pro-rated until December 31, 2017, after which SCE&G disclaims any interest in the lease allowing all future rent therefrom to go to Santee Cooper. We understand that WEC has scheduled an auction on February 19, 2018.

(b) Fly Ash and Cement: In order to return rental equipment and Westinghouse construction equipment storing fly ash and cement, SCE&G intends to continue to sell fly ash and cement from the batch plant area. SCE&G abandons and disclaims any interest in the batch plants or the fly ash sales from them following December 31, 2017, allowing any future income therefrom to go to Santee Cooper.

(c) Any other purchase orders currently supporting demobilization will be terminated on December 31, 2017 unless they support ongoing activities referenced in this letter including preventative maintenance called for by the NRC during the pendency of its review of the request for withdrawal of the COLs.

(11) Insurance: SCE&G intends to cancel all project related insurance programs including the Excess Builder's Risk policy and the Marine Cargo/Transit policy (which currently insures all materials in off-site warehouses) no later than January 31, 2018. The AIG Owner Controlled Insurance Program (OCIP) will continue as written under both SCE&G and Santee Cooper for the remainder of the policy period (April 17, 2018) to allow for completion of abandonment activities relating to safety, state and federal requirements and environmental requirements. After April 18, 2018, the OCIP will go into a run-off status until such time as all claims have been resolved. The NEIL Builders' Risk policy will be cancelled, per the policy terms and conditions, immediately upon SCE&G's NRC notification requesting the NRC approval to withdraw the COLs for VCS 2 and 3. NEIL has put forth a non-member property insurance proposal for Santee Cooper's review and evaluation. If requested, SCE&G will work with Santee Cooper to develop new coverage programs solely for Santee Cooper or, if an insurer agrees to a transfer, to transfer the policies to Santee Cooper. Any property loss proceeds received for claims arising after December 31, 2017 will inure to the benefit of Santee Cooper.

(12) Internal Revenue Service: SCE&G intends to notify the United States Internal Revenue Service by the end of 2017 of SCE&G's return of or relinquishment of the previously allocated production tax credits for VCS 2 and 3.

(13) Records: SCE&G will comply with any and all legal obligations surrounding the retention of VCS 2 and 3 Project related records, including but not limited to the requirements imposed upon SCE&G by Order No. 2017-771 issued by the Public Service Commission of South Carolina as well as subpoenas and discovery requests served upon SCE&G pursuant to applicable law.

The aforementioned activities are in the best interest of SCE&G's customers. If SCE&G has omitted discussion of any other agreements or arrangements related to the Project, SCE&G will terminate those agreements in accordance with their terms to the extent such agreements call for any action by SCE&G which is not consistent with abandonment of the Project. With respect to all of the items above that require action by Santee Cooper, SCE&G requests that Santee Cooper advise SCE&G if Santee Cooper will execute an agreement for the orderly transfer of any property or other rights from SCE&G to Santee Cooper to the extent permitted by law.

SCE&G will pay its proportional share of costs related to the orderly shutdown of the Project as provided in the DCA while these activities are ongoing, but only to the extent such costs are consistent with abandonment. SCE&G will not be responsible for any costs not consistent with abandonment. SCE&G will continue activities not affecting the abandonment but which relate to safety, state and federal requirements (such as the NRC mandated preventative maintenance), and environmental matters into 2018.

Sincerely,



Jim Odell Stuckey
Senior Vice President and General Counsel

cc: South Carolina Public Service Authority
Attn: General Counsel (M603)
One Riverwood Drive
P.O. Box 2946101
Moncks Corner, SC 29461-6101